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RUCPDO/DEPT OF COMMERCE WASHINGTON DC
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C O N F I D E N T I A L SECTION 01 OF 03 ULAANBAATAR 000202

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STATE FOR EAP/CM, EAP/J, EAP/K AND INR/EAP

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SUBJECT: JAPANESE EMBOFFS EXCHANGE VIEWS ON RECENT
MONGOLIAN TRENDS, BILATERAL RELATIONS

Classified By: Charge d'Affaires Brian L. Goldbeck for Reason 1.4 (d).

11. (C) SUMMARY: Japanese DCM Kobayashi met with the Charge on May 1 for an exchange of views across the full array of Mongolian domestic and bilateral issues. On Mongolia,s June 29 Parliamentary elections, Japan believes that the post-election Parliament will look a lot like it does at present. He and the Charge also discussed election monitoring, and the Asia Pacific Democracy Partnership. Regarding controversial mining legislation, Kobayashi said that if, as expected, the Mongolian state takes a 51% stake in key mining deposits, many Western mining companies as well as Japanese firms will bow out, leaving the field to the Chinese and Russians. Referring to reports that Mongolia will turn to Russia for help building a nuclear power plant, Kobayashi said Japan is encouraging Mongolia to first focus on the development of its uranium resources, and only later focus on setting up a nuclear power program.

12. (C) On talks with the DPRK, Kobayashi said Japan appreciates Mongolian efforts to host more bilateral normalization discussions between Japan and North Korea; he said no such meeting has been scheduled. Kobayashi reconfirmed that Japan was amenable to accepting Mongolia,s offer to hold Six Party Talks Peace and Security Working Group talks in Mongolia, once Russia, as the group,s chair, sets a date. He said President Enkhbayar is considering a visit to Pyongyang in or around October, provided the DPRK will confirm a meeting for him with DPRK leader Kim Jong Il. Regarding bilateral relations, he said Japan hopes next year,s 60th anniversary of the battle of Khalkhin Gol, in eastern Mongolia, will not turn into a &major event8 that hurts bilateral ties. (In that 1939 tank battle, 45,000 Japanese were killed in combat with Russians and, to a lesser extent, Mongolians.) He expressed concern that Russia is trying to play up the anniversary in order to drive a wedge between Mongolia and Japan. END SUMMARY.

13. (C) Japanese DCM Kobayashi invited the Charge and Econ/Pol Chief to lunch May 1, following a lengthy hiatus, for an update on recent trends in Mongolia. Japanese Poloff Yadomi also attended.

PARLIAMENTARY ELECTIONS:
JAPAN EXPECTS NO MAJOR CHANGES

14. (C) On Mongolia,s June 29 Parliamentary elections, DCM

Kobayashi said Japan believes that the post-election Parliament will look a lot like it does now. (Note: The Mongolian People's Revolutionary Party, or MPRP, holds 39 seats in the 76-seat Parliament and leads a three-party coalition government. End Note.) He predicted it will be difficult for Prime Minister Bayar to keep his good standing among voters, because so many Mongolians are frustrated by the skyrocketing prices for food and fuel. Kobayashi asked about the USG's plans for election monitoring in Mongolia; we informed him that the Embassy will field a modest election-monitoring program, sending a team or two of Embassies to key contested provinces and a few more teams to pivotal capital districts, to observe and report on the June 29 balloting. We also discussed the Asia Pacific Democracy Partnership (APDP). Kobayashi said it is likely that the Japanese Embassy would be able to send a person, or persons, to monitor elections in Mongolia, in the event that the APDP were to decide to monitor the Mongolian elections.

ON MINING LEGISLATION

15. (C) Regarding controversial mining legislation that would give the Mongolian state a 51% stake in strategic mining deposits, the Japanese DCM said he had repeatedly warned the Mongolians. He said that if the state share is set at 51%, many Western mining companies as well as Japanese firms would be unwilling to take part, opening the door for participation by Chinese and Russian mining companies. Ironically, he said, the decision to embrace a 51% stake was aimed at keeping the Chinese and Russians from playing a key role in Mongolia's most important deposits. Kobayashi accused Mongolian Parliament members, and other senior officials, of

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frequently failing to understand the mining situation. We have to talk with them like they are kindergarteners, he said. He added that Japanese mining companies strongly oppose the mining amendment proposals. The 51% is bad enough, he said, but what really bothers the Japanese firms are the odds that the GOM would also try to manage the operations. He said he had trouble believing Mongolian authorities, promises, based on past experiences, to give foreign mining companies wide latitude in the management of mineral extraction at strategic sites.

MONGOLIA'S NUCLEAR DEVELOPMENT

16. (C) Kobayashi noted PM Bayar's recent visit to Moscow, which produced a number of deals, which he dismissed as hollow and meaningless, as FM Oyun had described them when she met with the Japanese Ambassador following the trip. There had also been reports suggesting that Mongolia will turn to Russia for assistance with the construction of a nuclear power plant. He said Japan is encouraging Mongolia to first focus on the development of its uranium resources, and only later focus on setting up a nuclear power program. The Russians and French are very aggressive in pushing their proposals at the Mongolians, he said, but the quality of their technology may be lacking. Kobayashi said Russia has not developed a new nuclear power station in perhaps 10 years. He said that Japan, conversely, has much experience in recently setting up nuclear power stations and currently operates more than 50 such stations. He noted Japanese government funding for developing such projects required that the products then be exported to Japan, which was possible regarding uranium, which Japan will need for decades to come, but not for coal and other minerals, which are likely destined for China.

JAPAN-DPRK TALKS

17. (C) The Japanese DCM said Japan is comfortable with Mongolian efforts to host more bilateral discussions between

Japan and North Korea. He made clear that although Japan supports the idea of further discussions, no such talks have been scheduled. Kobayashi said the DPRK is enthusiastic about holding the meetings in Mongolia because Mongolia pays their transportation and lodging costs. Kobayashi reconfirmed that Japan was amenable to accepting Mongolia's offer to hold Six Party Talks Peace and Security Working Group talks in Mongolia and was pleased to learn the USG also supported this proposal, noting it, s up to Russia, as the WG, s chair, to set a date. He understood that President Enkhbayar is planning to visit Pyongyang in or around October, but said the trip is jeopardized by the fact that a meeting with Kim Jong Il has not been ensured. He noted that this is a sore subject, given that previous Mongolian Presidents who visited North Korea several years ago had been unable to meet with the DPRK leader. Kobayashi said he believed that the GOM is putting conditions on the trip, to ensure an Enkhbayar-Kim meeting.

JAPAN-MONGOLIA RELATIONS: NO MAJOR VISITS;
WORRIES ABOUT WWII TANK BATTLE ANNIVERSARY

18. (C) Regarding bilateral relations, Kobayashi said that on a recent visit to Japan, Mongolian Foreign Minister Oyun invited Japan, s Foreign Minister to visit Mongolia. But the DCM said he feels it is unlikely that the Japanese Foreign Minister will make such a visit this year. Kobayashi expressed concern that Russia is attempting to &make a big deal8 out of next year, s 60th anniversary of the epic tank battle of Khalkhin Gol, which took place in eastern Mongolia.

He said Russia is doing so in order to drive a wedge between Mongolia and Japan. &Russia is concerned about Japan, s relationship with Mongolia,8 Kobayashi said, adding that Japan hopes that a major anniversary event will not occur, and that relations between Japan and Mongolia relations will not be harmed.

19. (U) In September or October, a large Japanese economic delegation will come to Ulaanbaatar to attend the Trade and

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Investment Promotion Council gathering, Kobayashi said. This is the follow-up to a gathering in Japan last year.
GOLDBECK